

**Minutes (Draft) of the
Cash Management Advisory Board
October 23, 2013
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Christine Shaw, Deputy State Treasurer
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:00 a.m., and asked if there were any comments regarding the draft July 24, 2013 Cash Management Advisory Board minutes. Mr. Desautelle stated that he had not seen the minutes, and the approval of the minutes was tabled until the next board meeting in January 2014.

Mr. Terry stated that the composition of the Short-Term Investment Fund (STIF) portfolio had not changed significantly during the first quarter of fiscal year 2014, although bank deposits were increased due to their liquidity and yield, and repurchase agreements were reduced accordingly. Mr. Terry added that we had been trying to extend STIF's average life whenever possible by purchasing in the 9-month to 1-year area. Mr. Terry noted that as a result of the debt ceiling crisis, STIF purchased more than \$400 million of short-term Treasury securities with an average yield of 20 basis points and maturities within three weeks. Mr. Desautelle asked if STIF is contributing to its reserves. Mr. Terry stated that we are not. Mr. Wilson added that for the past several months STIF's reserves had fluctuated above and below one percent of total assets. Mr. Terry stated that STIF continues to find strong banks to place deposits and that the deposits can be backed by FHLB letters of credit. Mr. Terry also indicated that STIF has room to add floating rate securities. Mr. Desautelle asked if inflows were state or municipal monies. Mr. Wilson stated that the inflows were mostly state funds.

Mr. Coudert reviewed the performance of STIF. Mr. Coudert stated that for the quarter ending September 30, 2013, STIF earned an average annualized yield of 11 basis points, outperforming our benchmark by 9 basis points. Mr. Coudert continued, saying that for the one year period ending September 30, 2013, STIF returned 14 basis points,

outperforming our benchmark by 10 basis points. Mr. Coudert indicated that STIF's current yield was 16 basis points and that its weighted average maturity was 44 days with a weighted average life of 62 days. Mr. Coudert added that STIF currently is not contributing to its \$50.2 million reserves.

Mr. Coudert discussed the current composition of STIF, indicating that STIF's one-day liquidity was approximately \$2 billion, or 45 percent of STIF assets, and that 58 percent of the portfolio was invested in securities with some type of federal government support, such as U.S. Treasury's, agency securities, FDIC-insured securities, or repurchase agreements backed by such securities. Mr. Coudert stated that the remainder of the portfolio was in commercial paper and bank deposits.

Mr. Coudert stated that the Extended Investment Portfolio (EIP) currently had no assets.

Mr. Coudert reported that STIF Plus's current asset size was slightly below \$4 million and consisted entirely of asset-backed securities. Mr. Coudert said that the current NAV was 12.029, up from 11.777 at June 30, 2013. Mr. Coudert added that current unrealized loss totaled approximately \$1.2 million. Mr. Wilson stated that by investing in STIF Plus and EIP, rather than just STIF, approximately \$13.6 million in additional income had been earned, well above any potential loss, making EIP and STIF Plus an advantageous investment strategy.

Mr. Terry stated that STIF continues to prepare for the custody, accounting and transfer agency conversion to BNY Mellon from State Street in the beginning of December.

Mr. Terry stated that Standard & Poor's has signed off on the policies, procedures, and manner in which STIF will analyze credit instruments. Mr. Terry indicated that STIF will not implement the addition of credit until approved by the appropriate channels in-house.

With no further business, Mr. Wilson adjourned the meeting at 10:18 a.m.